HOUSING MARKET INFORMATION

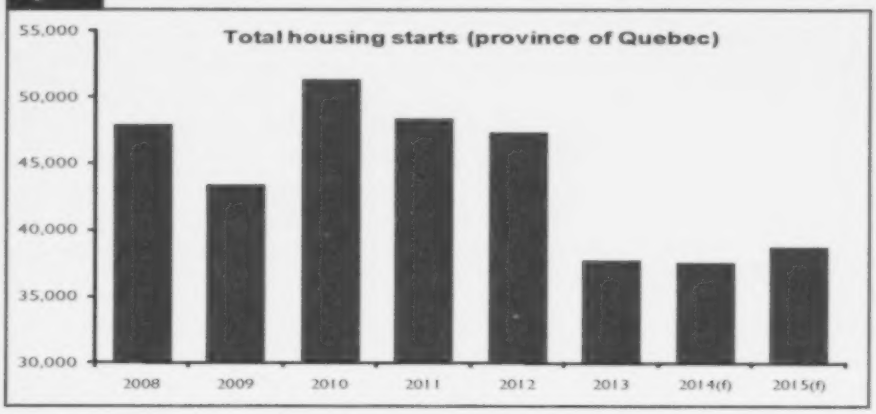
HOUSING MARKET OUTLOOK
Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Second Quarter 2014

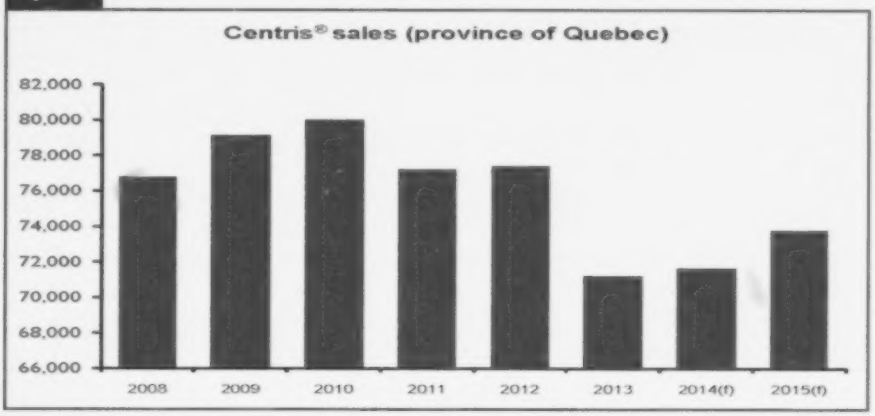
Housing Market Forecast

Figure 1



Source: CMHC

Figure 2



Source: QFREB by the Centris® system

Overview

In Quebec, moderate economic and employment growth will hold back demand for existing and new homes in 2014 and 2015. In addition, relatively high inventories of new and existing dwellings will constrain the number of housing starts. The expected levels of demand and supply will translate into marginal price growth in most markets.

In the next two years, economic growth will stem from consumer spending and recovering private investment. Meanwhile, public expenditures will remain limited by balanced budget objectives and net exports will gain some momentum as US demand strengthens. Thus, GDP growth of 1.7 per cent and 2.0 per cent is forecasted in 2014 and 2015, respectively. As private investment increases gradually, the impact on labour markets will be felt more substantially in 2015. Thus, employment will grow at a rate of 0.9 per cent in 2014 and 1.6 per cent in 2015. The unemployment rate will come in at 7.5 per cent this year and at 7.0 per cent in 2015.

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On the demographic front, total net interprovincial migration will continue to be hindered by more attractive labour markets in other provinces. However net international migration will remain sustained. Total net migration is expected to attain 40,000 persons this year and 44,000 persons in 2015. These levels will thus have a positive impact on demand in Quebec's rental markets. During this period, moderating formation of younger households will cool first-time buying, and population aging will continue to prompt some older households to downsize.

In Detail

Single Starts: Again this year, demand for new single-detached homes will be influenced by moderate employment growth, the continued easing of the resale market and the trend toward apartment living (condominium and rental). Starts in this category will decline to the 12,100 level in 2014. As the resale market begins to tighten, demand for new single-detached homes will increase, and translate into 13,300 starts next year.

Multiple Unit Starts:

After coming back down last year, to a level that is more in line with the demographic trends, multiple unit housing starts will record similar levels this year and next. This market segment will continue to be supported by its relative lower price in comparison to new single-detached homes. Further growth will be held back by relatively high levels of supply of new and resale housing, which will limit the need for additional building. Starts of multiple unit dwellings will be at 25,500 units in 2014 and 25,400 in 2015.

Resales:

Sales of existing houses recorded by Centris®14 should remain stable this year, in line with moderate employment growth. Following a certain decline in the last two quarters, resales will recover and reach the 71,600 level this year. Like the rest of the country, buying conditions will be somewhat impeded by the eventual slightly higher interest rates. Nonetheless, 73,700 Centris® resales will be achieved next year as more robust labour markets push up demand.

Prices:

With lower demand and higher supply, prices of resale homes will post marginal growth during the forecast horizon. A gradual return to more balanced market conditions will keep price growth between the one and two per cent mark this year and next. As a result, the average price recorded by Centris® will reach $266,300 this year and $270,000 in 2015.

Mortgage rates to see gradual and modest increases by the end of 2015, but will remain low by historical standards

Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to register gradual and modest increases by the latter part of the 2015 forecast horizon. This will lead to increases in mortgage rates. Despite this, mortgage rates will remain low and will continue to support housing market activity over the forecast horizon.

According to CMHC's base case scenario for 2014, the average for the one-year posted mortgage rate is forecast to be within 3.0 per cent to 3.50 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.0 per cent to 5.5 per cent. For 2015, the average for the one-year posted mortgage rate is expected to rise and be in the 3.20 per cent to 4.25 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.0 per cent.

Mortgage rates		
1 Year	Q1 2014	3.14
	Change from Q1 2013	0.14
	2014 (F)	3.00 - 3.50
	2015 (F)	3.20 - 4.25
5 Year	Q1 2014	5.15
	Change from Q1 2013	-0.06
	2014 (F)	5.00 - 5.50
	2015 (F)	5.25 - 6.00

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q1 2014 data

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	Centris® Sales[2]	Centris® Average Price[2] ($)
Gatineau	Q1 2014	1.5	6.7	994.39	Q1 2014	430	57	373	734	235,820
	Q1 2013	-1.8	6.7	903.51	Q1 2013	111	42	69	776	238,203
	Change[1]	3.3	0.0	10.1%	% Change	287.4	35.7	440.6	-5.4	-1.0
Montréal	Q1 2014	0.6	7.9	835.86	Q1 2014	3,585	393	3,192	9,623	320,323
	Q1 2013	4.4	7.9	807.63	Q1 2013	2,697	507	2,190	9,874	318,337
	Change[1]	-3.8	0.0	3.5%	% Change	32.9	-22.5	45.8	-2.5	0.6
Québec	Q1 2014	2.8	4.1	849.40	Q1 2014	526	122	404	1,855	258,126
	Q1 2013	0.4	4.4	833.85	Q1 2013	1,056	136	920	1,852	265,193
	Change[1]	2.4	-0.3	1.9%	% Change	-50.2	-10.3	-56.1	0.2	-2.7
Saguenay	Q1 2014	-3.4	9.4	804.60	Q1 2014	90	19	71	293	182,083
	Q1 2013	-0.7	7.9	792.52	Q1 2013	156	20	136	308	188,047
	Change[1]	-2.7	1.5	1.5%	% Change	-42.3	-5.0	-47.8	-4.9	-3.2
Sherbrooke	Q1 2014	1.5	7.8	758.35	Q1 2014	215	37	178	471	215,424
	Q1 2013	-5.6	6.4	758.80	Q1 2013	225	77	148	495	209,088
	Change[1]	7.0	1.4	-0.1%	% Change	-4.4	-51.9	20.3	-4.8	3.0
Trois Rivières	Q1 2014	2.8	8.5	767.39	Q1 2014	137	13	124	332	159,673
	Q1 2013	-9.3	7.9	747.33	Q1 2013	47	22	25	283	158,358
	Change[1]	12.1	0.6	2.7%	% Change	191.5	-40.9	396.0	17.3	0.8
Province of Quebec	March 14	0.8	7.6	818.37	Q1 2014	6,420	1,397	5,023	18,447	263,748
	March 13	1.4	7.7	792.71	Q1 2013	5,784	1,696	4,088	18,851	263,153
	Change[1]	-0.7	-0.1	3.2%	% Change	11.0	-17.6	22.9	-2.1	0.2
Canada[2]	March 14	1.1	6.9	897.32	Q1 2014	33,923	11,217	22,706	96,749	399,926
	March 13	1.1	7.3	875.32	Q1 2013	33,477	12,065	21,412	94,071	369,591
	Change[1]	0.0	-0.4	2.5%	% Change	1.3	-7.0	6.0	2.8	8.2

[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Centris® Statistics

[2] Source for Canada resale housing data is the Canadian Real Estate Association (CREA).
The Centris® system contains all the listings of Québec real estate brokers.

"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook
(units and percentage change)

	2009	2010	2011	2012	2013	2014(F)	2015(F)	2014Q1	2014Q2(F)	2014Q3(F)	2014Q4(F)
Housing Starts:											
Single	17,535	19,549	16,554	16,059	13,144	12,100	13,300	10,921	11,500	12,600	13,500
%	-11.3	11.5	-15.3	-3.0	-18.2	-7.9	9.9	-13.6	5.3	9.6	7.1
Multiple	25,868	31,814	31,833	31,308	24,614	25,500	25,400	28,585	24,000	24,500	24,750
%	-8.0	23.0	0.1	-1.6	-21.4	3.6	-0.4	9.4	-16.0	2.1	1.0
Total	43,403	51,363	48,387	47,367	37,758	37,600	38,700	39,506	35,500	37,100	38,250
%	-9.4	18.3	-5.8	-2.1	-20.3	-0.4	2.9	1.9	-10.1	4.5	3.1
Existing Home Markets:											
Centris® Sales	79,105	80,027	77,165	77,376	71,216	71,600	73,700	68,908	71,500	72,500	73,500
%	3.1	1.2	-3.6	0.3	-8.0	0.5	2.9	-1.7	3.8	1.4	1.4
Centris® Average Price	225,367	241,455	252,147	260,516	262,458	266,300	270,200	269,161	266,000	265,000	265,000
%	4.7	7.1	4.4	3.3	0.7	1.5	1.5	-0.1	-1.2	-0.4	0.0

The Centris® system contains all the listings of Québec real estate brokers.

Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

All data in this table, except the Centris® average price, is seasonally adjusted at annual rates. The Centris® average price data is actual.

As is the case for the other provinces, the historical average price for the province of Quebec is calculated by dividing the total dollar sales volume by the number of transactions.

Quebec Region - Housing Forecast Ranges

	2014			2015		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Province of Quebec						
Housing Starts	37,600	39,300	35,900	38,700	43,200	34,200
Multiple	25,500	26,500	24,500	25,400	28,100	22,700
Single	12,100	12,800	11,400	13,300	15,100	11,500
Centris® Sales	71,600	76,260	66,940	73,700	78,300	69,100
Centris® Average Price ($)	266,300	272,801	259,800	270,200	279,601	260,801
Canada						
Housing Starts	181,100	189,900	172,300	182,100	203,600	160,600
Multiple	108,100	112,400	103,800	107,600	118,900	96,300
Single	73,000	77,500	68,500	74,500	84,700	64,300
MLS® Sales	457,900	487,700	428,100	471,100	500,400	441,800
MLS® Average Price ($)	396,000	405,600	386,400	402,200	416,200	388,200

Sources : CMHC

The Centris® system contains all the listings of Quebec real estate brokers.

Quebec Region Housing Forecast - New Construction

	Housing Starts	2013	2014(F)*	% chg (2013/2014)	2015(F)*	% chg (2014/2015)	YTD 2014**	YTD 2013**	% chg (2013/2014)
Gatineau	Single-Detached	475	490	3.2	450	-8.2	57	42	35.7
	Multiple	1,449	1,535	5.9	1,850	20.5	373	69	440.6
	Total	1,924	2,025	5.2	2,300	13.6	430	111	287.4
Montréal	Single-Detached	3,039	2,900	-4.6	3,100	6.9	393	507	-22.5
	Multiple	12,593	13,000	3.2	12,500	-3.8	3,192	2,190	45.8
	Total	15,632	15,900	1.7	15,600	-1.9	3,585	2,697	32.9
Québec	Single-Detached	961	850	-11.6	800	-5.9	122	136	-10.3
	Multiple	3,719	3,200	-14.0	2,800	-12.5	404	920	-56.1
	Total	4,680	4,050	-13.5	3,600	-11.1	526	1,056	-50.2
Saguenay	Single-Detached	337	300	-11.0	300	0.0	19	20	-5.0
	Multiple	582	430	-26.1	400	-7.0	71	136	-47.8
	Total	919	730	-20.6	700	-4.1	90	156	-42.3
Sherbrooke	Single-Detached	442	350	-20.8	400	14.3	37	77	-51.9
	Multiple	1,054	1,100	4.4	1,125	2.3	178	148	20.3
	Total	1,496	1,450	-3.1	1,525	5.2	215	225	-4.4
Trois Rivières	Single-Detached	243	220	-9.5	200	-9.1	13	22	-40.9
	Multiple	606	530	-12.5	440	-17.0	124	25	396.0
	Total	849	750	-11.7	640	-14.7	137	47	191.5

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.
** YTD = January - March

Quebec Region Housing Forecast - Resale Market

		2013	2014(F)*	% chg (2013/2014)	2015(F)*	% chg (2014/2015)	YTD 2013**	YTD 2014**	% chg (/)
Gatineau	Centris® Sales[1]	3,545	3,400	-4.1	3,500	2.9	776	734	-5.4
	Centris® Avg. Price[1]	243,330	243,500	0.1	245,000	0.6	238,203	235,820	-1.0
Montreal	Centris® Sales[1]	36,501	37,000	1.4	38,700	4.6	9,874	9,623	-2.5
	Centris® Avg. Price[1]	324,020	325,000	0.3	327,000	0.6	318,727	320,323	0.6
Québec	Centris® Sales[1]	6,282	6,450	2.7	6,650	3.1	1,852	1,855	0.2
	Centris® Avg. Price[1]	267,254	271,500	1.6	277,000	2.0	265,193	258,126	-2.7
Saguenay	Centris® Sales[1]	1,185	1,100	-7.2	1,100	0.0	308	293	-4.9
	Centris® Avg. Price[1]	193,764	189,000	-2.5	185,000	-2.1	188,047	182,083	-3.2
Sherbrooke	Centris® Sales[1]	1,665	1,700	2.1	1,780	4.7	495	471	-4.8
	Centris® Avg. Price[1]	229,483	234,000	2.0	238,000	1.7	209,088	215,424	3.0
Trois Rivieres	Centris® Sales[1]	928	975	5.1	1,000	2.6	283	332	17.3
	Centris® Avg. Price[1]	158,582	162,500	2.5	165,500	1.8	158,358	159,673	0.8

The Centris® system contains all the listings of Québec real estate brokers.
Sources: CMHC, CREA, Centris® Statistics, CMHC Forecast 2014-2015
[1] Source for the CMA's : Centris® Statistics, YTD: January to December
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.
** YTD = January - March

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2013	Oct 2014(F)	Oct 2013	Oct 2014(F)
Gatineau	5.1	6.2	744	745
Montréal	2.8	2.6	730	740
Québec	2.3	2.3	757	770
Saguenay	2.8	3.0	571	590
Sherbrooke	5.3	5.2	591	600
Trois Rivières	5.1	5.5	555	560
Canada	2.9	2.6	n/a	n/a

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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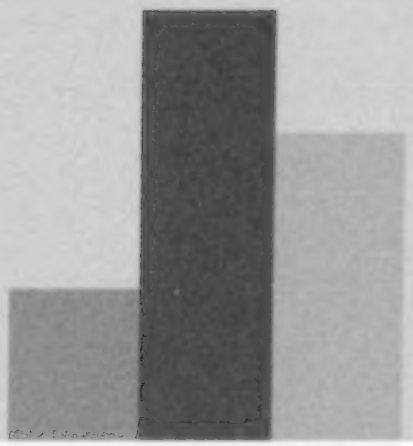

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